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California Farmland Conservancy Program

Focus on Farmland

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CFCP Grant Helps Protect Large Ranch in Butte County

The Northern California Regional Land Trust, headquartered in Chico, recently completed the acquisition of a conservation easement on 4,235 acres of the Llano Seco Ranch in Butte County. The easement was purchased with \$6.5 million in state funding, including a \$1.93 million grant from the CFCP to preserve the portions of the ranch that support diverse irrigated agriculture. With this project's completion, nearly the entire Llano Seco Ranch, an 18,434-acre Mexican land grant, now has been permanently shielded from development in a fast-growing area of California.

Of the total acres protected under this easement, approximately 1,870 acres are intensively managed for the production of walnuts, almonds, sunflowers, grains, safflower, and other crops; 1,715 acres are used for grazing; and 736 acres are covered in sloughs and riparian vegetation, including grasslands, cottonwood, and Great Valley oak forests. Most of the remainder of the ranch is already shielded from development, having been permanently protected through a combination of fee and easement sales to the U.S. Fish and Wildlife Service, the Department of Fish and Game, and the Nature Conservancy.

"We're very pleased with this project," said California Secretary for Resources Mike Chrisman. "It protects working agricultural lands, provides a buffer for habitat critical to several special-status species, and helps to keep an organic cattle operation working. Beyond that, we're proud of the cooperation between state and local governments and the landowners that made this vision a reality."

In addition to the CFCP grant, funding for the project came from the Department of Fish and Game, implementing the CALFED Ecosystem Restoration Program (\$2.57 million); and the Wildlife Conservation Board (\$2.0 million).



One of the agricultural portions of the Llano Seco Ranch.

CFCP Funding Helps Protect Two Monterey County Farms

In May, two Monterey County farms were permanently conserved by the Monterey County Agricultural and Historical Land Conservancy. The farms are owned by the Dolan family in the Salinas Valley and together



Strawberries growing on the Dolan-Castroville Farm.



Vegetable row crops on the Dolan-Greenfield Farm.

comprise 483 acres. The easement purchases were funded by a \$1,533,000 grant from the California Farmland Conservancy Program (CFCP), and the land trust will hold the easements on the properties. The landowners made a sizeable donation in the form of a bargain sale towards the transaction.

One farm, 281 acres of strawberries, is located 1.5 miles northeast of Castroville in one of the most productive strawberry producing areas of the state. The other, 202 acres of vegetable row crops, is 1.5 miles southwest of Greenfield. The conservation easements are consistent with the land trust's vision of helping to guide future growth away from higher quality farmlands. The City of Greenfield is facing added development pressure from housing demand from workers in Silicon Valley and Salinas.

"Agriculture represents more than 40 percent of Monterey County's total economy," Conservancy Managing Director Brian Rianda noted. "You can't have agriculture without farmland, so preserving as much as we can is vital. We're grateful for the state's support of our efforts."

The Salinas Valley contains some of the most productive farmland in the nation, and some of the most threatened. The Monterey County Agricultural and Historical Land Conservancy, founded in 1984, has completed 54 projects protecting more than 15,000 acres of agricultural land.

Solano Land Trust Wraps up CFCP Planning Grant

The Solano Land Trust (SLT) recently wrapped up a two-year planning grant from the California Farmland Conservancy Program. The planning grant built upon previous work done by the land trust. In 2002, SLT completed the Solano County Agricultural Conservation Easement Plan. The plan identified priority areas in Solano County for agricultural preservation and prescribed a set of strategies for protecting these lands.

Through a \$74,000 CFCP planning grant, SLT began implementing this plan. Work under the grant involved compiling databases of agricultural landowners in the priority areas and conducting outreach to these landowners in order to educate them about agricultural conservation easement programs. The purpose was to generate a larger pool of willing easement sellers in the land trust's priority areas.

The next step of the grant was to develop six agricultural conservation easement projects. The CFCP funding aided with staff and consultant time to perform preliminary legwork, evaluate projects, obtain

appraisals on the properties, and submit applications to potential funding agencies. By the end of the grant term, funding was acquired for four easement projects and two other applications were pending approval from funders. Three of the easements have been completed. In addition, a number of other potential projects are in the early planning stages.

Mineral Rights and Agricultural Conservation Easements

Separated minerals rights have the potential to stall or even kill an agricultural conservation easement transaction. This is especially true if the transaction uses funds from the USDA-NRCS's Farm and Ranchlands Protection Program (FRPP). Recognizing and addressing the issue of separated mineral rights early in the process is critical. It is important to review the title report and relevant underlying title documents to determine the status of a property's mineral rights. The landowner can be a good source of information as well.

The term "mineral rights" refers to the right to remove substances (generally hydrocarbons, sand, aggregate, etc.) from the land or to receive a royalty from the removal. Mineral rights can include surface rights and/or sub-surface rights. Sometimes one or both of these rights are severed from the fee ownership of the property. If only the sub-surface rights are severed, it is usually not as problematic. This is because the mining of sub-surface minerals typically involves extraction of resources such as oil or natural gas, which usually can be extracted with minimal disruption of the surface of the land. Severed surface rights can be more concerning. Because surface mining (such as sand or gravel extraction or strip mining) by its nature has a much greater potential to negatively affect the agricultural use and other values of a property, surface mining is commonly severely restricted or prohibited within the terms of conservation easements. However, such a restriction or prohibition on surface mining may not be effective if the right to surface mine is not held by the grantor of the easement. This could create an undesirable situation where the easement cannot prevent surface mining and thus cannot ensure the preservation of the subject property's agricultural values. Because the FRPP has a clear focus on protecting topsoil, separated surface mineral rights can be especially problematic for acquisitions using FRPP funding. So what can be done when surface mineral rights are separated from the underlying fee title? Below are three possible ways to deal with the situation.

One approach is to merge the separated mineral rights back with the original title. This approach is most feasible when the holder of the separated mineral rights is personally known to the landowner and such rights are of nominal value. Otherwise, the time and expense involved in tracking down the mineral rights holder and potentially buying back those rights could rule out the merger approach.

A second approach is to have the right to surface mine subordinated to the easement, meaning that the mineral rights holder would have to abide by the easement terms. This can also involve logistical hurdles, such as locating the mineral rights holder and obtaining their agreement. The value of the surface mineral rights may be a factor as well. The subordination approach may be more acceptable to some mineral rights holders—especially if the easement permits limited and localized surface mining that doesn't impact the agricultural and other values of the land.

A third approach involves leaving the mineral rights separated, but documenting that the probability of removing minerals by any surface mining method is "so remote as to be negligible". This "remoteness" test is taken from an Internal Revenue Code regulation concerning tax deductions for donating conservation easements. This approach typically involves obtaining a geologist's report that demonstrates the lack of commercially useable substances on the subject land or the lack of commercially practical means of extracting useable substances on the subject land. Although CFCEP has found this approach acceptable, NRCS has rejected this approach in FRPP-funded easement transactions.

Grant Funding Updates

The Department of Conservation's California Farmland Conservancy Program has received an appropriation of \$8.33 million from Proposition 40 bond funds for the 2006-07 Fiscal Year, representing the final increment of funding from this source. These grant funds are available on a continuous basis pursuant to the CFCP's ongoing Request for Grant Applications (RFGA). The RFGA and additional grant application and management resources are available on the Program's website at:

<http://www.conservation.ca.gov/dlrp/cfcp/funding>. As always, the CFCP encourages prospective grant applicants to make contact with program staff as early as possible in the development of projects, so that we can provide consultation and feedback on individual grant proposals.

In addition, the Natural Resources Conservation Service (NRCS) has allocated \$2.5 million in 2006 grant funds from the federal Farm and Ranchlands Protection Program (FRPP) for California. The FRPP operates under a separate application timeframe, and these funds will be directed to easement proposals that have already been submitted to the NRCS.

Upcoming Events

The **International Conference on the Future of Agriculture: Science, Stewardship, and Sustainability** will be held August 7-9 in Sacramento. For more information, visit www.dce.ksu.edu/dce/conf/ag&environment/index.shtml or call 1-800-432-8222.

The **Land Trust Alliance's** National Land Conservation Conference, Rally 2006, will be held on **October 12-15** in Nashville, Tennessee. For more information, visit www.lta.org or call 202-638-4725.

The **Great Valley Center** will hold the 2006 Sacramento Valley Forum on October 18 in Chico. For more information, visit www.greatvalley.org or call 209-522-5103.

The **American Farmland Trust's** 2006 national conference, "Farming on the Edge: The Next Generation," will be held **November 13-15** in Newark, Delaware. For more information, visit www.farmland.org or call 202-331-7300.

The California Farmland Conservancy Program, administered by Department of Conservation's Division of Land Resource Protection, is designed to ensure that the state's most valuable farmland can be preserved. Through the program, local governments and nonprofit organizations can receive grants to purchase development rights from willing landowners, thus creating permanent conservation easements.

We hope you've found this issue of *Focus on Farmland* useful and informative. Please contact us with any questions or ideas you have for future editions. Feel free to forward this email to other interested parties.

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